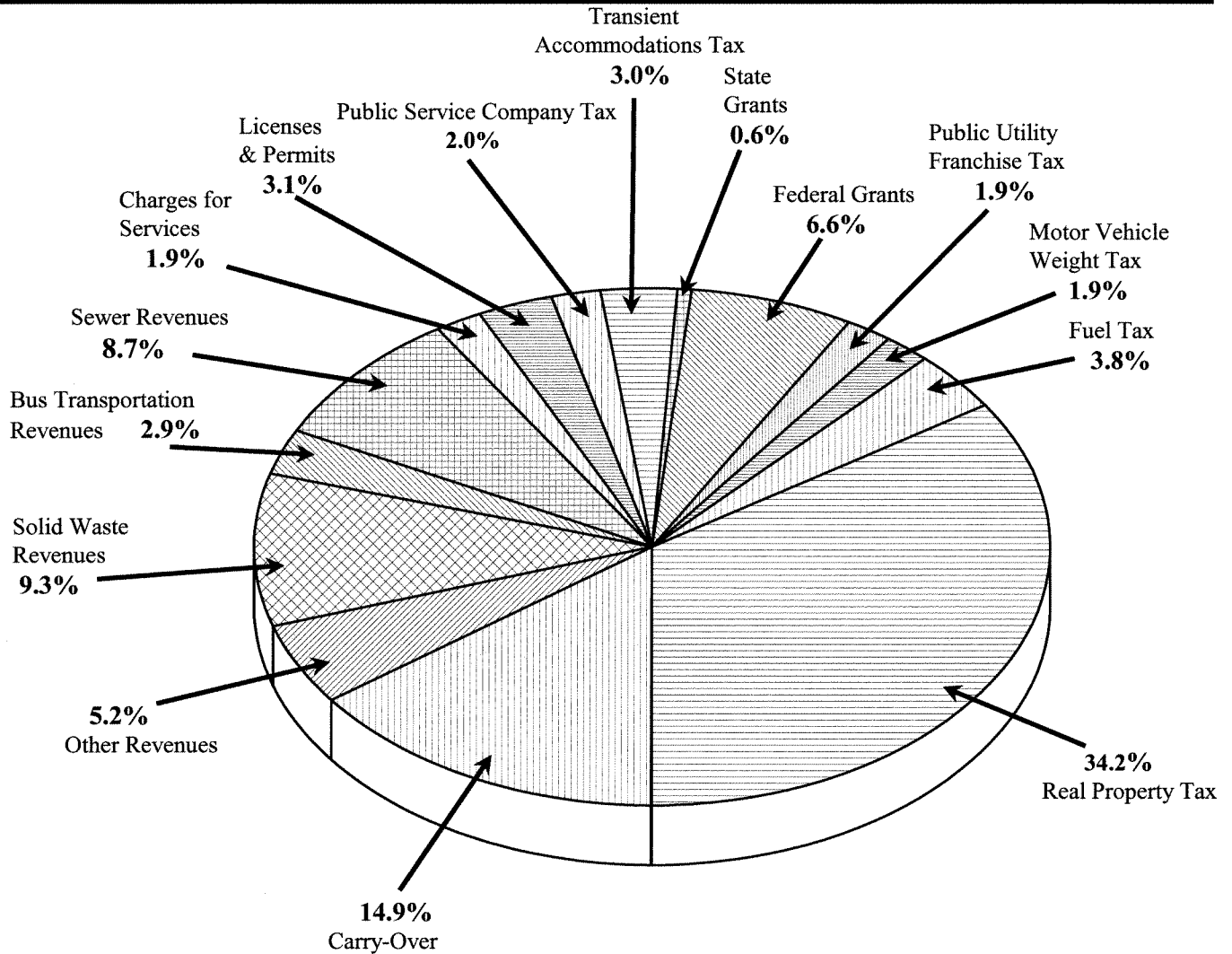


Budget Summaries

Where the City Gets Its Dollars

FY 2004 Operating Resources

(\$1.251 Billion)

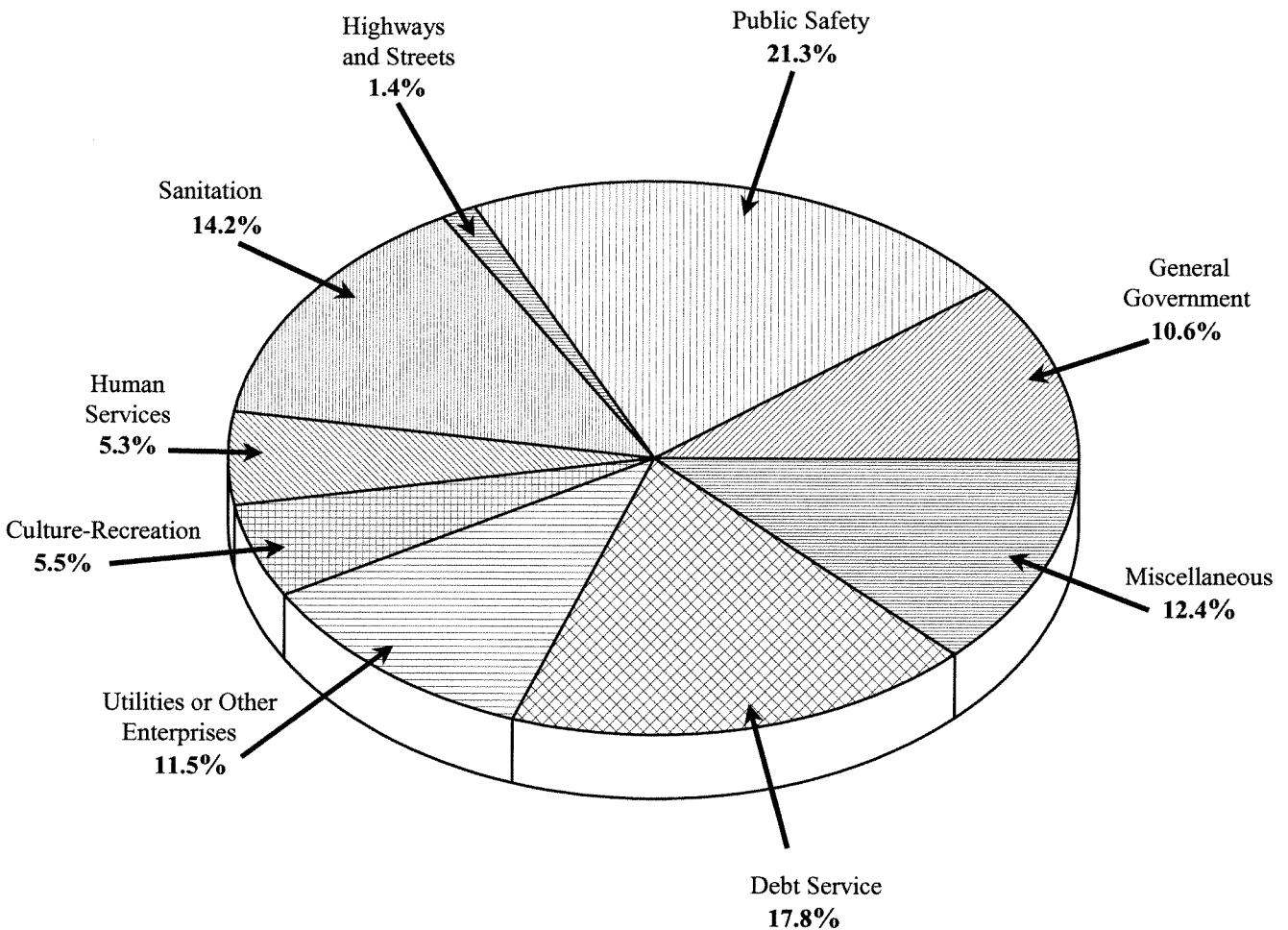


The above pie chart shows the composition of resources for the City's various funds for FY 2004. Carry-Over includes unappropriated and restricted fund balances.

Where the City Spends Its Dollars

FY 2004 Operating Expenditures

(\$1.178 Billion)



The above pie chart shows the composition of expenditures for the City's various funds for FY 2004.

SUMMARY OF RESOURCES BY SOURCE

SOURCE	FY 2002 ACTUAL	FY 2003 APPROPRIATED	FY 2004 PROPOSED
<u>OPERATING RESOURCES</u>			
Real Property Tax	\$ 382,448,604	\$ 383,724,000	\$ 427,164,000
Fuel Tax	46,728,017	45,300,000	48,120,000
Motor Vehicle Weight Tax	25,595,713	24,596,000	24,378,440
Public Utility Franchise Tax	23,748,193	22,900,000	24,130,641
Federal Grants	52,134,373	84,972,196	82,830,716
State Grants	5,274,163	6,043,572	7,061,673
Transient Accommodations Tax	31,618,436	35,900,000	37,300,000
Public Service Company Tax	24,821,402	24,500,000	24,500,000
Licenses and Permits	31,017,868	31,517,881	38,281,545
Charges for Services	18,905,118	20,775,605	24,324,305
Sewer Charges	106,509,266	103,207,600	108,547,850
Bus Transportation Revenues	32,311,567	36,937,910	35,779,160
Solid Waste Revenues	101,853,744	104,649,586	116,378,036
Other Revenues	107,916,225	85,467,908	64,949,406
Carry-Over	271,396,353	231,677,871	186,811,957
TOTAL OPERATING RESOURCES	\$ 1,262,279,042	\$ 1,242,170,129	\$ 1,250,557,729
<u>CAPITAL RESOURCES</u>			
General Obligation Bonds	\$ 264,775,081	\$ 274,687,500	\$ 189,604,000
Bikeway Fund	56,162	638,000	495,000
Parks and Playgrounds Fund	1,747,679	665,000	3,500,000
Sewer Fund	6,756,509	10,320,000	9,755,000
Sewer Revenue Bond Improvement Fund	170,189,094	144,823,000	63,254,000
Federal Grants Fund	10,315,933	7,792,811	11,291,518
Community Development Fund	12,541,550	13,775,670	10,312,917
State Funds	-	-	-
Developer	1,550,000	2,209,000	-
Sewer Assessment	-	-	-
Board of Water Supply	530,000	-	-
Utilities	290,918	700,000	300,000
TOTAL CAPITAL RESOURCES	\$ 468,752,926	\$ 455,610,981	\$ 288,512,435
TOTAL RESOURCES	\$ 1,731,031,968	\$ 1,697,781,110	\$ 1,539,070,164

OPERATING AND CAPITAL BUDGET EXPENDITURES BY FUNCTION
FISCAL YEAR 2002

FUNCTION	APPROPRIATED	ACTUAL
<u>OPERATING EXPENDITURES</u>		
EXECUTIVE		
General Government	\$ 124,672,664	\$ 119,003,253
Public Safety	226,963,005	224,748,504
Highways and Streets	18,675,558	14,693,780
Sanitation	157,907,034	144,708,028
Health and Human Services	77,832,179	66,342,219
Culture-Recreation	62,582,894	60,271,130
Utilities or Other Enterprises (Mass Transit)	134,290,541	126,745,358
Subtotal	<u>\$ 802,923,875</u>	<u>\$ 756,512,272</u>
Debt Service	137,666,838	124,285,551
Retirement System Contributions	33,687,861	33,388,555
FICA and Pension Costs	15,862,576	16,790,627
Health Fund	58,735,343	57,671,888
Miscellaneous	35,085,659	20,056,481
Subtotal	<u>\$ 281,038,277</u>	<u>\$ 252,193,102</u>
TOTAL EXECUTIVE	<u>\$ 1,083,962,152</u>	<u>\$ 1,008,705,374</u>
LEGISLATIVE		
General Government	<u>8,075,169</u>	<u>7,922,833</u>
TOTAL LEGISLATIVE	<u>\$ 8,075,169</u>	<u>\$ 7,922,833</u>
TOTAL OPERATING EXPENDITURES	<u>\$ 1,092,037,321</u>	<u>\$ 1,016,628,207</u>
<u>CAPITAL EXPENDITURES</u>		
General Government	\$ 96,885,271	\$ 60,707,643
Public Safety	49,408,000	47,206,537
Highways and Streets	73,997,000	63,016,554
Sanitation	184,826,208	173,183,842
Health and Human Services*	-	-
Culture-Recreation	145,713,000	98,846,018
Utilities or Other Enterprises (Mass Transit)	28,413,000	25,792,333
TOTAL CAPITAL EXPENDITURES	<u>\$ 579,242,479</u>	<u>\$ 468,752,927</u>
TOTAL CITY EXPENDITURES	<u>\$ 1,671,279,800</u>	<u>\$ 1,485,381,134</u>

*Expenditures for Health and Human Services are included in General Government.

OPERATING AND CAPITAL BUDGET EXPENDITURES BY FUNCTION
FISCAL YEAR 2003

FUNCTION	APPROPRIATED
<u>OPERATING EXPENDITURES</u>	
EXECUTIVE	
General Government	\$ 128,819,314
Public Safety	250,919,261
Highways and Streets	16,457,554
Sanitation	169,732,534
Health and Human Services	63,512,155
Culture-Recreation	66,632,049
Utilities or Other Enterprises (Mass Transit)	140,279,942
Subtotal	<u>\$ 836,352,809</u>
Debt Service	\$ 153,168,219
Retirement System Contributions	17,659,694
FICA and Pension Costs	17,745,709
Health Fund	63,336,666
Miscellaneous	27,737,367
Subtotal	<u>\$ 279,647,655</u>
TOTAL EXECUTIVE	<u>\$ 1,116,000,464</u>
LEGISLATIVE	
General Government	<u>9,274,099</u>
TOTAL LEGISLATIVE	<u>\$ 9,274,099</u>
TOTAL OPERATING EXPENDITURES	<u>\$ 1,125,274,563</u>
<u>CAPITAL EXPENDITURES</u>	
General Government	36,485,000
Public Safety	31,187,500
Highways and Streets	58,748,000
Sanitation	166,642,000
Human Services	18,136,481
Culture-Recreation	82,509,000
Utilities or Other Enterprises (Mass Transit)	61,903,000
TOTAL CAPITAL EXPENDITURES	<u>\$ 455,610,981</u>
TOTAL CITY EXPENDITURES	<u>\$ 1,580,885,544</u>

*The Human Services function replaces the Health and Human Services function. Expenditures for Health are now included in Public Safety.

OPERATING AND CAPITAL BUDGET EXPENDITURES BY FUNCTION
FISCAL YEAR 2004

FUNCTION	PROPOSED
<u>OPERATING EXPENDITURES</u>	
EXECUTIVE	
General Government	\$124,826,468
Public Safety	250,646,104
Highways and Streets	16,112,333
Sanitation	167,479,217
Human Services*	61,960,770
Culture-Recreation	65,268,582
Utilities or Other Enterprises (Mass Transit)	135,654,512
Subtotal	<u>\$ 821,947,986</u>
Debt Service	\$209,899,027
Retirement System Contributions	32,565,069
FICA and Pension Costs	17,902,590
Health Fund	69,690,249
Miscellaneous	26,391,859
Subtotal	<u>\$ 356,448,794</u>
TOTAL EXECUTIVE	<u>\$ 1,178,396,780</u>
	<u>\$ 1,178,396,780</u>
LEGISLATIVE	
General Government	<u>8,666,000</u>
TOTAL LEGISLATIVE	<u>\$ 8,666,000</u>
TOTAL OPERATING EXPENDITURES	<u>\$ 1,187,062,780</u>
<u>CAPITAL EXPENDITURES</u>	
General Government	36,584,000
Public Safety	15,022,000
Highways and Streets	85,477,000
Sanitation	73,388,000
Human Services*	17,032,435
Culture-Recreation	40,429,000
Utilities or Other Enterprises (Mass Transit)	<u>20,580,000</u>
TOTAL CAPITAL EXPENDITURES	<u>\$ 288,512,435</u>
TOTAL CITY EXPENDITURES	<u>\$ 1,475,575,215</u>

*The Human Services function replaces the Health and Human Services function. Expenditures for Health are now included in Public Safety.

OPERATING EXPENDITURES BY DEPARTMENT
FISCAL YEAR 2002

DEPARTMENT/AGENCY	APPROPRIATED		ACTUAL	
	BUDGET	NO. OF POSITIONS*	EXPENDITURES	NO. OF POSITIONS*
Budget and Fiscal Services	\$ 16,007,262	353.00	\$ 15,001,261	353.00
Community Services	63,714,433	206.00	53,515,556	206.00
Corporation Counsel	6,654,753	89.50	6,402,102	89.50
Customer Services	17,764,446	296.60	16,723,367	296.60
Design and Construction	17,155,473	315.00	15,991,532	307.00
Emergency Services	19,688,981	418.59	18,859,397	392.18
Enterprise Services	16,001,722	333.85	14,816,617	340.44
Environmental Services	157,907,034	1,130.25	144,708,028	1,130.25
Facility Maintenance	43,393,998	788.49	39,392,996	786.49
Fire	56,657,776	1,139.08	58,278,918	1,139.08
Human Resources	4,299,763	83.50	4,374,540	83.50
Information Technology	9,273,787	125.00	8,012,581	125.00
Mayor	445,918	5.00	451,025	5.00
Managing Director	4,542,497	37.50	4,143,494	37.50
Oahu Civil Defense Agency	553,808	9.48	587,008	9.50
Neighborhood Commission	672,859	17.00	641,964	17.00
Royal Hawaiian Band	1,541,199	41.00	1,521,420	41.00
Medical Examiner	948,265	17.00	947,865	17.00
Parks and Recreation	45,039,973	1,083.71	43,933,093	1,083.71
Planning and Permitting	13,379,118	304.50	12,337,061	304.50
Police	155,111,239	2,687.00	151,073,259	2,687.00
Prosecuting Attorney	13,814,936	280.00	14,207,104	280.00
Transportation Services	138,354,635	104.00	130,592,084	104.00
TOTAL EXPENDITURES	\$ 802,923,875	9,865.05	756,512,272	9,835.25

* Full-time Equivalent

OPERATING EXPENDITURES BY DEPARTMENT
FISCAL YEAR 2003

DEPARTMENT/AGENCY	APPROPRIATED	NO. OF POSITIONS*
Budget and Fiscal Services	\$ 16,782,131	358.00
Community Services	63,512,155	245.50
Corporation Counsel	7,989,689	90.00
Customer Services	18,233,275	297.60
Design and Construction	16,112,720	307.00
Emergency Services	21,997,783	425.08
Enterprise Services	16,097,835	325.76
Environmental Services	169,732,534	1,130.25
Facility Maintenance	42,859,661	778.99
Fire	60,713,396	1,145.19
Human Resources	4,400,678	84.00
Information Technology	9,243,729	127.00
Mayor	453,212	5.00
Managing Director	3,729,216	37.00
Oahu Civil Defense Agency	584,432	9.48
Neighborhood Commission	968,473	18.00
Royal Hawaiian Band	1,654,687	41.00
Medical Examiner	1,052,591	17.00
Parks and Recreation	48,879,527	1,107.52
Planning and Permitting	13,502,475	299.00
Police	158,557,774	2,703.00
Prosecuting Attorney	15,279,900	278.50
Transportation Services	144,014,936	104.00
TOTAL EXPENDITURES	\$ 836,352,809	9,933.87

* Full-time Equivalent

OPERATING EXPENDITURES BY DEPARTMENT
FISCAL YEAR 2004

DEPARTMENT/AGENCY	PROPOSED	NO. OF POSITIONS*
Budget and Fiscal Services	\$ 16,743,643	355.25
Community Services	61,960,770	227.00
Corporation Counsel	7,701,248	90.00
Customer Services	18,437,831	297.60
Design and Construction	16,054,517	307.00
Emergency Services	23,447,228	443.74
Enterprise Services	15,945,955	332.33
Environmental Services	167,479,217	1,130.25
Facility Maintenance	39,857,350	782.12
Fire	61,280,169	1,144.19
Human Resources	4,458,632	84.00
Information Technology	9,846,852	134.00
Mayor	452,168	5.00
Managing Director	2,817,028	38.00
Oahu Civil Defense Agency	579,702	9.48
Neighborhood Commission	716,220	17.00
Royal Hawaiian Band	1,637,683	41.00
Medical Examiner	1,052,368	17.00
Parks and Recreation	47,684,944	1,108.29
Planning and Permitting	12,739,436	298.00
Police	156,556,268	2,715.00
Prosecuting Attorney	15,115,453	278.50
Transportation Services	139,383,304	104.00
 TOTAL OPERATING EXPENDITURES	 \$ 821,947,986	 9,958.75

* Full-time Equivalent

OPERATING EXPENDITURES BY COST ELEMENT
FISCAL YEAR 2004

DEPARTMENT/AGENCY	SALARIES	CURRENT EXPENSES	EQUIPMENT	TOTAL
Budget & Fiscal Services	\$ 14,320,242	\$ 2,338,201	\$ 85,200	\$ 16,743,643
Community Services	8,816,038	53,094,132	50,600	61,960,770
Corporation Counsel	4,126,257	3,574,991	-	7,701,248
Customer Services	9,648,024	8,781,807	8,000	18,437,831
Design and Construction	8,826,230	7,228,287	-	16,054,517
Emergency Services	19,151,112	3,129,366	1,166,750	23,447,228
Enterprise Services	9,214,975	6,720,980	10,000	15,945,955
Environmental Services	40,333,003	127,146,214	-	167,479,217
Facility Maintenance	20,966,437	18,856,963	33,950	39,857,350
Fire	54,735,678	6,200,132	344,359	61,280,169
Human Resources	4,055,590	403,042	-	4,458,632
Information Technology	6,304,740	2,649,527	892,585	9,846,852
Mayor	397,908	54,260	-	452,168
Managing Director	1,564,328	1,252,700	-	2,817,028
Oahu Civil Defense Agency	444,877	134,825	-	579,702
Neighborhood Commission	554,222	161,998	-	716,220
Royal Hawaiian Band	1,560,188	77,495	-	1,637,683
Medical Examiner	886,919	165,449	-	1,052,368
Parks and Recreation	30,673,276	16,924,958	86,710	47,684,944
Planning and Permitting	11,779,536	959,900	-	12,739,436
Police	132,602,558	22,919,210	1,034,500	156,556,268
Prosecuting Attorney	12,931,428	2,184,025	-	15,115,453
Transportation Services	84,396,656	54,986,648	-	139,383,304
	<u>\$ 478,290,222</u>	<u>\$ 339,945,110</u>	<u>\$ 3,712,654</u>	<u>\$ 821,947,986</u>
Debt Service	-	\$209,899,027	-	209,899,027
Retirement System Contributions	-	32,565,069	-	32,565,069
FICA and Pension Costs	-	17,902,590	-	17,902,590
Health Fund	-	69,690,249	-	69,690,249
Miscellaneous	-	26,391,859	-	26,391,859
	<u>\$ -</u>	<u>\$ 356,448,794</u>	<u>\$ -</u>	<u>\$ 356,448,794</u>
 TOTAL EXPENDITURES	 <u>\$ 478,290,222</u>	 <u>\$ 696,393,904</u>	 <u>\$ 3,712,654</u>	 <u>\$ 1,178,396,780</u>

Capital Improvement Program Budget Highlights

The FY 2004 capital improvement program (CIP) budget continues to focus on investing in our future with projects essential for improving the quality of life for all our residents. The FY 2004 CIP budget as submitted, totals \$288.5 million, a decrease of \$167.1 million from the \$455.6 million FY 2003 CIP budget.

In preparing the CIP budget, 19 Vision Teams were each allotted \$1.0 million for a total of \$19 million. In addition, 32 Neighborhood Boards were each allotted \$0.5 million for a total of \$16 million. The Vision Teams and Neighborhood Boards develop their own CIP projects based on their priorities and administration guidance.

General Government

A total of \$36.6 million is included in the CIP budget for various general government projects. This is an increase of \$0.1 million from the \$36.5 million included in the FY 2003 budget. For the fifth consecutive year, a significant amount (\$15.0 million) is budgeted for the Procurement of Major Equipment. Other major projects include the Electronic Work Flow Systems (\$1.4 million), Integrated Financial & Human Resource System (\$5.7 million), ADA (Americans With Disabilities Act) Improvements to Public Buildings (\$0.6 million), Ala Wai Boulevard Parking Lot (\$2.5 million), Energy Conservation Improvements (\$0.5 million), Halawa Corporation Yard (\$2.3 million), National Pollution Discharge Elimination System (NPDES) for Corporation Yards (\$1.0 million), Public Building Facilities Improvements (\$1.3 million), Relocation of Field Test Laboratory (\$0.9 million), Telecommunications Facilities Upgrade (\$0.5 million), Telecommunications Project (\$2.5 million).

Public Safety

Public safety capital improvement projects total \$15.0 million. This reflects a decrease of \$16.2 million from the \$31.2 million budgeted in FY 2003. Major projects include the Computerized Traffic Control system (\$2.4 million), Kaimuki Business District Master Plan (\$0.8 million), Traffic Improvements at Various Locations (\$1.7 million), Traffic Signals at Various Locations (\$1.1 million), Waianae Coast Alternate Route (\$1.5 million), Kawa Stream Improvements (1.9 million), Lifeguard Towers (\$0.6 million), Highway Structure Improvements (\$0.6 million), and Rock Slide Potential Inspections and Mitigative Improvements (1.1 million).

Highways and Streets

The \$85.5 million provided for highways and streets projects is the largest allocation of the CIP. This reflects an increase of \$26.7 million from the FY 2003 budget of \$58.8 million. Major projects include Bicycle Projects (\$5.5 million), Curb Ramps at Various Locations (\$14.5 million), King Street Improvements (\$1.0 million), Rehabilitation of Streets and Parking Lots (\$40.0 million), Sidewalk Improvements (\$4.4 million), Street Improvements (\$3.6 million), Waikiki Park and Parking (\$1.0 million), Bridge Rehabilitation at Various Locations (\$2.9 million), Anti-Crime Street Lighting – Hawaii Kai (\$1.6 million), Chinatown Street Light Standard Replacement/Improvements (\$0.8 million), Residential Anti-Crime Street Lighting Improvements – Waikiki (\$2.2 million), and West Loch Estates and West Loch Fairways Streetlights (\$1.7 million).

Sanitation

The capital improvement program budget for wastewater facility improvements and solid waste projects is \$73.4 million, a decrease of \$93.2 million from the \$166.6 million budgeted in FY 2003. Major projects include the Ala Wai Trunk Relief Sewer (\$0.9 million), Honouliuli Waste Water Treatment Plant Solids Handling System (\$21.0 million), Honouliuli Wastewater Treatment Plant Upgrade (\$0.7 million), Houghtailing Street Area Sewer Rehabilitation (\$0.6 million), Kalaheo Avenue Reconstructed Sewer,

Capital Improvement Program Budget Highlights (continued)

Kailua (\$17.7 million), Kalanianaʻole Highway Relief Sewer and Sewer Rehabilitation (\$0.8 million), Kaneohe/Kamehameha Highway Reconstructed Sewer (\$3.3 million), Kaneohe Bay Drive Trunk Sewer Reconstruction (\$0.5 million), Nimitz Highway Sewer Reconstruction at OCCC (\$3.2 million), Project Management for Wastewater Projects (\$5.6 million), Renton Road Sewer and Manhole Rehabilitation (\$1.0 million), Sand Island Wastewater Treatment Plant Expansion, Primary Treatment, 90 (\$1.5 million), Small Sewer Mainline and Lateral Projects (\$3.0 million), Waipahu Street/Plantation Village Sewer Reconstruction (\$1.6 million), Wastewater Equipment (\$4.0 million), Wastewater Facilities Replacement Reserve (\$3.0 million), and Wastewater Treatment Plant Pump Station Projects (\$2.0 million).

Human Services

Collectively, projects addressing human services are budgeted at \$17.0 million, a decrease of \$1.1 million from the \$18.1 million budgeted in FY 2003. Among the major projects are Community Housing Development Organization (CHDO Set-Aside) (\$0.7 million), Community Investment Program (\$0.5 million), Emergency Shelter Grants Program (\$0.9 million), Housing Partnership Program (\$1.2 million), Pacific Housing Asst. Corp. – Senior Res. at Kapolei (\$0.8 million), Palolo Chinese Home – Food Service Complex (\$1.4 million), Salvation Army (\$0.8 million), Special Needs Housing (\$1.0 million), and Transitional Residential Center (\$6.0 million).

Culture-Recreation

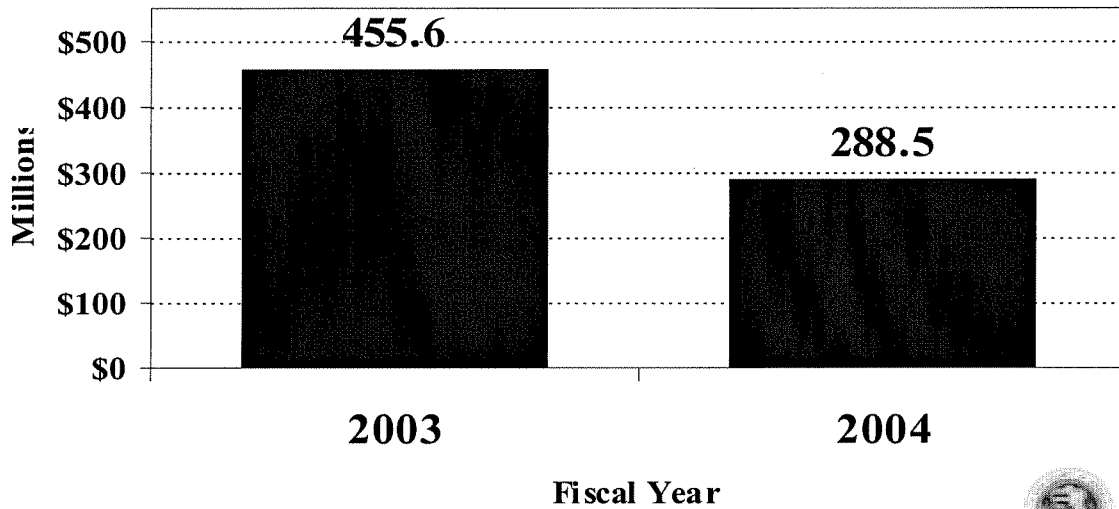
To sustain our recreational resources, the sum of \$40.4 million is included in the CIP for various culture-recreation projects. This is a decrease of \$42.1 million from the FY 2003 budget of \$82.5 million. Some of the larger projects are ADA (Americans With Disabilities Act) Improvements at Parks (\$0.5 million), Ala Moana Regional Park (\$0.5 million), Drainage and Reservoir Improvements at Parks (\$1.7 million), Hans L'Orange Neighborhood Park Improvements (\$1.3 million), Hauula Community Park (\$0.5 million), Kahaluu Regional Park (\$1.0 million), Kahuku District Park, Miscellaneous Improvements (\$0.5 million), Kapolei Regional Park (\$0.7 million), Kaupuni Neighborhood Park, Waianae Valley (\$0.9 million), Koko Head Regional Park (\$0.8 million), Makiki District Park (\$0.8 million), McCully District Park (\$1.5 million),), Pacific Palisades Community Recreation Building (Formerly: Gymnasium) (\$0.7 million), Reconstruct Wastewater Systems for Parks (\$2.5 million), Reconstruct/Refurbish Play Courts, Play Apparatus/Areas, Paved Surfaces, Recreation Districts 1,2,3,4: \$1.0 million each (\$4.0 million), Recreation Districts 1,2,3,4 Improvements: \$1.0 million each (\$4.0 million), Renovate Recreational Facilities (\$4.0 million), Wahiawa Botanical Garden/lake Wilson, Wahiawa (\$1.0 million), Waialae Beach Park-Canal Wall (\$0.9 million), Waikele Community Park, Waipio (\$0.8 million), and Blaisdell Center Facilities Air Conditioning System Upgrade (\$1.8 million).

Utilities or Other Enterprises

The \$20.6 million provided for Utilities or Other Enterprises projects reflects a decrease of \$41.3 million from the \$61.9 million included in the FY 2003 budget. Major projects include Bus and Handi-Van Acquisition Program (\$13.8 million), Bus Stop ADA Access Improvements (\$0.6 million), Bus Stop Site Improvements (\$2.3 million), Middle Street Transit Center (\$2.5 million), and Mililani Transit Center (\$0.5 million).

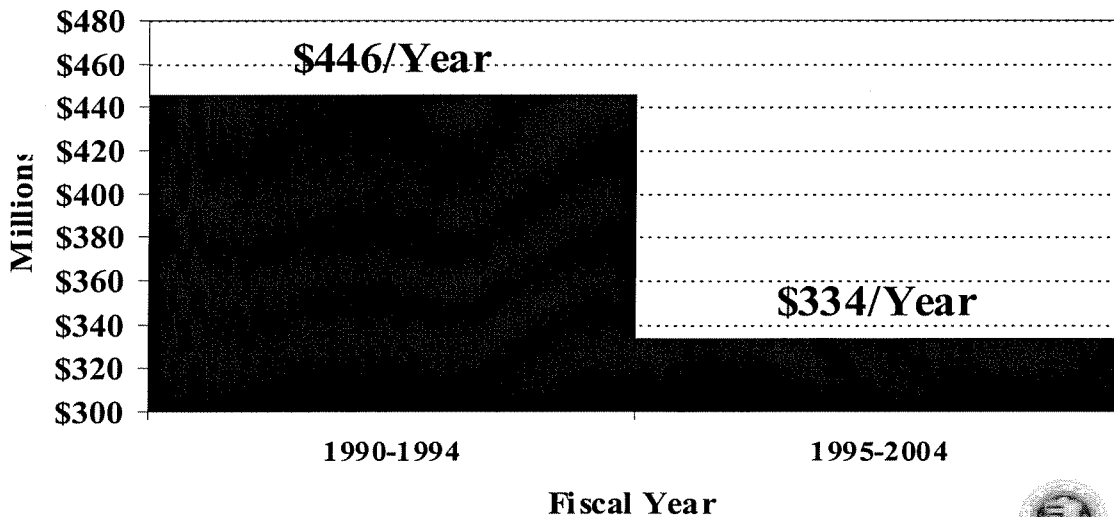
Capital Budget

Fiscal Years 2003 and 2004

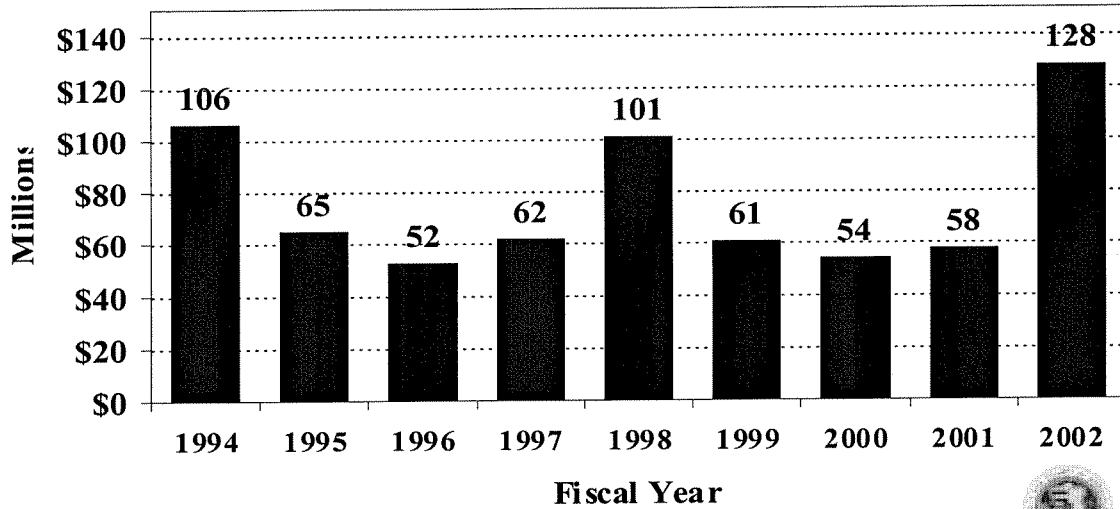


Average Capital Budget

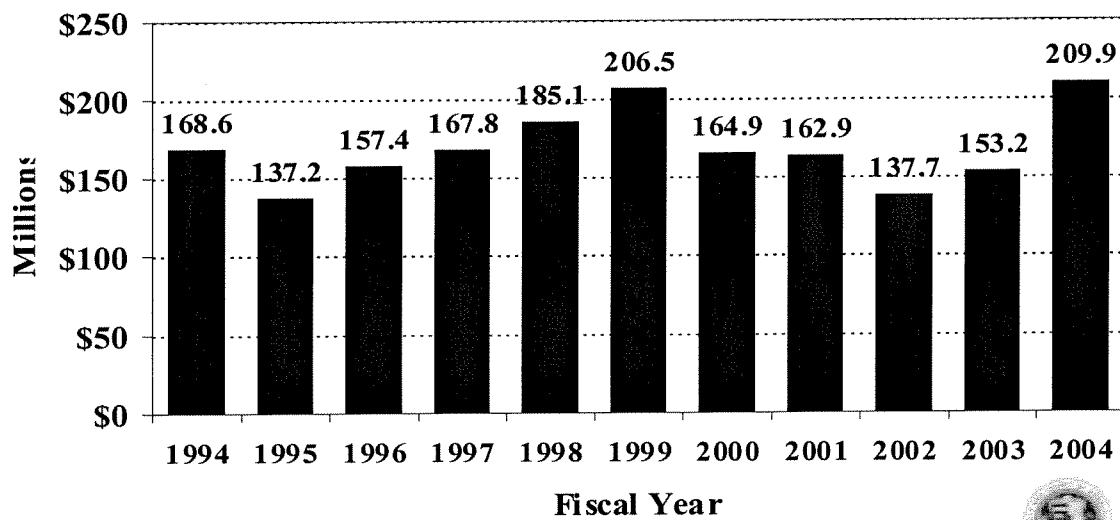
Fiscal Years 1990 to 2004



Capital Budget Savings \$687 Million Fiscal Years 1994 to 2002



Budgeted Debt Service Fiscal Years 1994 to 2004



MULTI-YEAR FINANCIAL OUTLOOK

(\$ in Millions)

	ESTIMATED					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
<u>EXPENDITURES</u>						
OPERATING	\$ 1,187.2	\$ 1,222.8	\$ 1,259.5	\$ 1,297.3	\$ 1,336.2	\$ 1,376.3
CAPITAL	288.5	250.0	250.0	250.0	250.0	250.0
TOTAL EXPENDITURES	\$ 1,475.7	\$ 1,472.8	\$ 1,509.5	\$ 1,547.3	\$ 1,586.2	\$ 1,626.3
<u>RESOURCES</u>						
OPERATING	\$ 1,250.5	\$ 1,288.0	\$ 1,326.7	\$ 1,366.5	\$ 1,407.4	\$ 1,449.7
CAPITAL	288.5	250.0	250.0	250.0	250.0	250.0
TOTAL RESOURCES	\$ 1,539.0	\$ 1,538.0	\$ 1,576.7	\$ 1,616.5	\$ 1,657.4	\$ 1,699.7
DIFFERENCE	\$ 63.3	\$ 65.2	\$ 67.2	\$ 69.2	\$ 71.2	\$ 73.4

MEETING FUTURE EXPENDITURE REQUIREMENTS

The City's objective is to ultimately achieve sustainability for many of its large programs such as its solid waste management program. Through an enhanced recycling program and the use of advanced technology, the City will seek to have its solid waste program be fiscally sound which in turn will help provide a sustainable environment for the long term.

Some of the City's major projects such as the Bus Rapid Transit project are anticipated to receive federal and State funding. The City will continue to pursue funding assistance from the federal and State governments for this as well as other City programs.

Greater discipline in expenditure control has already been initiated in the City's capital program. As an example, many authorized capital projects have been deferred, while the proposed capital program for fiscal year 2004 is significantly below previous years' authorized expenditures. This disciplined approach will enable the City to gain greater control over debt service costs.

In addition, future costs are anticipated to be funded with new and additional sources of funding that hold promise but are not included in the projections because they may be premature. These sources of funding are essential for the City to attain of fiscal sustainability. For example, the City is currently seeking legislation at the Hawaii State Legislature to institute a more equitable ad valorem tax system on motor vehicles to replace the current motor vehicle tax system. The City anticipates a significant increase in tax receipts under such a system. In addition, the City has stated to the State Legislature that it desires being provided expanded taxing authority. This new taxing authority, if allowed, is expected to broaden the City's sources of tax revenues and increase total receipts. Other means of increasing revenues and efficiencies include privatization of some of the City's operations and implementing possible entrepreneurial opportunities.

The City has maintained excellent control of its personnel count. In this way, runaway personnel costs have been avoided despite rising employee fringe benefit costs. The benefits of maintaining this disciplined approach to personnel counts will help in controlling costs in the long term.

FACT SHEET ON BUDGET TRENDS

	Actual FY 2000	Actual FY 2001	Actual FY 2002	Budgeted FY 2003	Budgeted FY 2004
REAL PROPERTY TAX:					
Net Assessed Value a), b).....	71,820,677	68,676,200	69,671,569	73,584,358	79,154,540
Average Rate c).....	5.56	5.53	5.33	5.21	5.40
Collections a).....	399,115	380,098	371,234	383,724	427,164
EXECUTIVE AND LEGISLATIVE OPERATING BUDGETS:					
Appropriations a).....	1,020,560	1,025,928	1,092,037	1,125,275	1,186,934
CAPITAL BUDGET:					
Appropriations a).....	268,057	385,524	352,887	455,611	288,512
LONG-TERM DEBT:					
Debt Service Charges a).....	163,730	160,205	151,781	153,168	209,899
NUMBER OF POSITIONS: d)					
Police.....	2,546	2,664	2,687	2,703	2,715
Fire.....	1,038	1,136	1,139	1,145	1,144
Environmental Services.....	1,266	1,149	1,130	1,130	1,130
Parks and Recreation.....	1,040	1,040	1,084	1,108	1,108
Prosecuting Attorney.....	293	279	280	279	279
Other Executive Agencies.....	3,456	3,496	3,515	3,569	3,583
Total Executive Branch.....	9,639	9,764	9,835	9,934	9,959
MOTOR VEHICLE REGISTRATIONS e), f).....					
	614,985	631,232	647,908	665,025	682,594
RESIDENT POPULATION (July 1st) f), g).....					
	878,906	875,670	881,295	886,952	892,646

a) Dollars in thousands

b) Valuation 100% of fair market value

c) Per thousand dollars

d) Rounded; temporary and contract positions included; authorized full-time equivalent positions

e) Calendar year

f) Source: State of Hawaii Data Book 2001

g) 2002 - 2004 estimates based on preliminary forecasts

CITY AND COUNTY PROFILE

Land Area * 596.7 square miles

Racial Composition based on 2001 Department of Health survey *

Mixed (except Hawaiian).....	22.0	percent
Hawaiian/Part Hawaiian.....	21.3	percent
Caucasian.....	19.6	percent
Japanese.....	18.0	percent
Filipino.....	11.7	percent
Chinese.....	4.0	percent
African American.....	1.4	percent
Samoan/Tongan.....	1.2	percent
Korean.....	.8	percent

Gender Composition *

Male.....	50.3	percent
Female.....	49.7	percent

Median Age (2000) * 35.7 years

Age Composition *

Under 18 years.....	23.8	percent
18 - 64 years.....	62.7	percent
65 years and over.....	13.5	percent

Elections *

Registered Voters, Primary Election 2002.....	464,673
Votes Cast, Primary Election 2002.....	192,146
Registered Voters, General Election 2002.....	470,327
Votes Cast, General Election 2002.....	270,071

Educational Attainment **

Less than High School Diploma.....	15.2	percent
High School Graduate or Higher.....	84.8	percent
Bachelor's Degree or Higher.....	27.9	percent

Median Household Income ** \$ 51,914

Number of Housing Units (2000) * 315,988

Building Permits Issued (2001) ****

Number Issued.....	12,837
Estimated Value (dollars in thousands).....	\$ 948,050

Unemployment Rate 2001 ***** 4.1 percent

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- * 2001 State of Hawaii Data Book (Preliminary)
 - ** U.S. Bureau of the Census, 2000
 - *** Office of Elections
 - **** Honolulu Department of Planning and Permitting
 - ***** Hawaii State Department of Labor and Industrial Relations

THE BUDGET PROCESS

INTRODUCTION

At first exposure, the annual budget may appear to be complicated and difficult to understand. This section describes the many facets of the budget process so that it is easier for our readers to use.

Each year, the City adopts three budgets:

- The Executive Operating Budget explains where the City gets its money and how it will be spent to pay for day-to-day operations of the executive branch.
- The Legislative Budget describes how the City Council and its activities will be funded.
- The Capital Budget lists and describes long-lived projects, such as highways, parks and buildings, which the City will undertake during the next six years as well as identifying in what years appropriations will be required. The Capital Budget is commonly referred to as the “CIP” for Capital Improvement Program.

The following sections explain how the budgets are put together and what they contain.

THE ANNUAL BUDGET

The annual budget of the City and County of Honolulu establishes the City’s policies and fulfills the legal requirement that a balanced financial plan be adopted to set the spending limits of the City. The budget also estimates the revenues and other financial resources that will be used to pay for the City’s operations during the fiscal year. Honolulu’s fiscal year begins on the first day of July and ends on the last day of June of the following year.

The Mayor’s budget message identifies the City’s major goals and objectives and explains how the administration plans to achieve them. The budget ensures that executive and legislative policies will be followed by detailing costs, making historical comparisons, and establishing performance measures against which City agencies can be evaluated throughout the year.

The budget process includes many open meetings and public hearings in order to ensure the public’s participation and input. The budget itself is a public information document providing readers with an overview of the City and its workings.

The budget is based on guidelines and restrictions established by the Hawaii Constitution, State statutes, Honolulu’s City Charter and City ordinances.

The Revised Charter of the City and County of Honolulu provides for an annual executive budget consisting of an operating budget and a capital budget including a statement of relationships between operating and capital items for the executive branch. Section 9 of the Revised Charter sets forth the contents of the budgets, the officers or agencies responsible for their preparation, and the manner and timetable of the Council’s review process. To comply with these requirements, the City administration prepares an Executive Program and Operating Budget (Volume I) and an Executive Program and Capital Budget (Volume II). The budget documents must be submitted to the City Council by March 2, 120 days before the start of the fiscal year, as required by the Charter.

THE BUDGET PROCESS (Continued)

THE ANNUAL BUDGET (Continued)

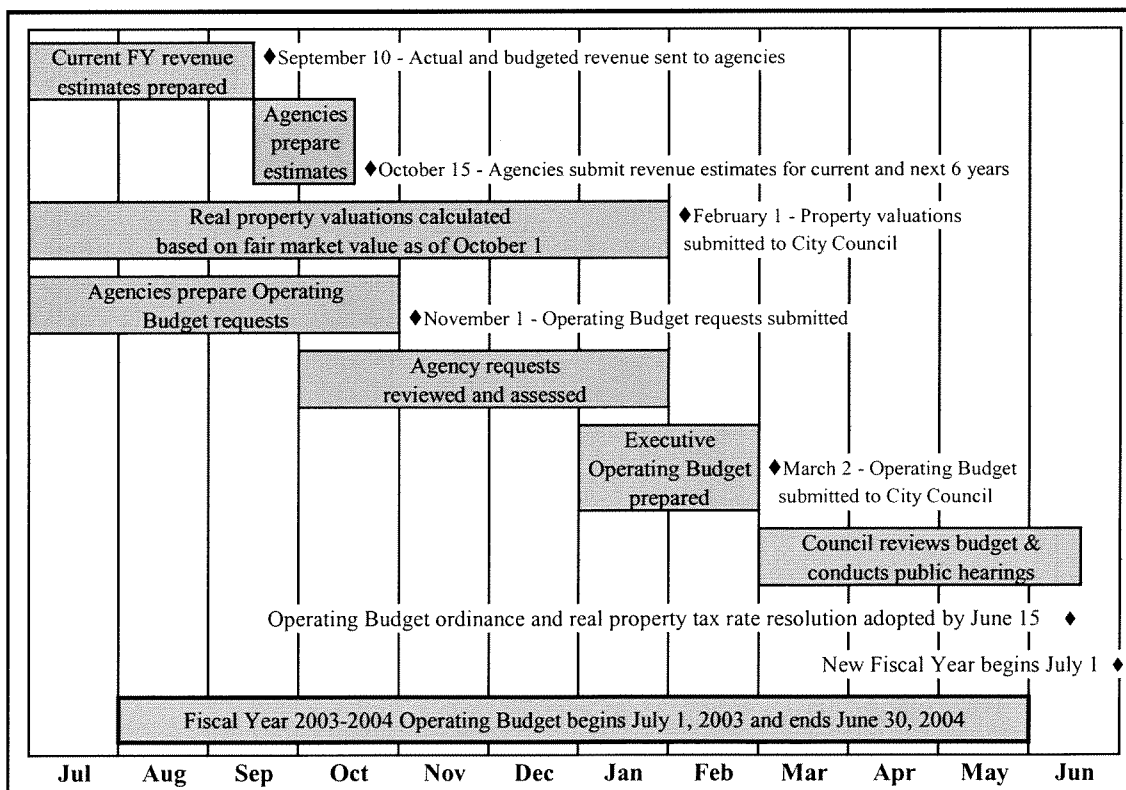
In addition to the two Budget Volumes, the City administration also prepares and submits to the City Council a bill for an Operating Budget ordinance and a bill for a Capital Budget ordinance. These proposed ordinances provide for appropriations to fund the activities of the executive branch. Requirements and presentation details of the budget ordinances are set forth in Articles 17 and 18 of Section 2, Revised Ordinances of Honolulu.

The Revised City Charter can be found on-line at www.co.honolulu.hi.us/refs/rch. The Revised Ordinances of Honolulu can be accessed at www.co.honolulu.hi.us/refs/roh. Additional information concerning public hearings, a synopsis of the budget ordinance, City Council actions and the budget ordinances' status can be found at www.co.honolulu.hi.us/council/calendar.htm. The site is maintained by the Department of Information Technology, City and County of Honolulu. To report problems, contact webmaster@www.co.honolulu.hi.us.

THE OPERATING BUDGET

Appropriations contained in the executive operating budget ordinances are valid only for the fiscal year for which they were made. Any part of the appropriations which is not spent or reserved to pay for expenses lapses after June 30, the end of the fiscal year.

OPERATING BUDGET CALENDAR



THE BUDGET PROCESS (Continued)

REVENUE ESTIMATING PROCESS

The revenue estimating process tries to determine how much money will be available to pay for City services during the following fiscal year. The process begins in July with an analysis of current revenue collections, Oahu's economic trends, projections of the State of Hawaii's Council on Revenues and other data. Revenue estimates for the current year are forwarded to the executive agencies in September. Based on their past experience and knowledge of factors which may affect future collections, the agencies respond in October with their estimate of revenues for the next six years.

Real property assessments are calculated throughout the year. For the purpose of determining the following fiscal year's real property tax revenues, valuations are calculated based on the fair market value as of October 1. The valuations are submitted to the City Council by February 1 in accordance with Ordinance 8-11.1(e).

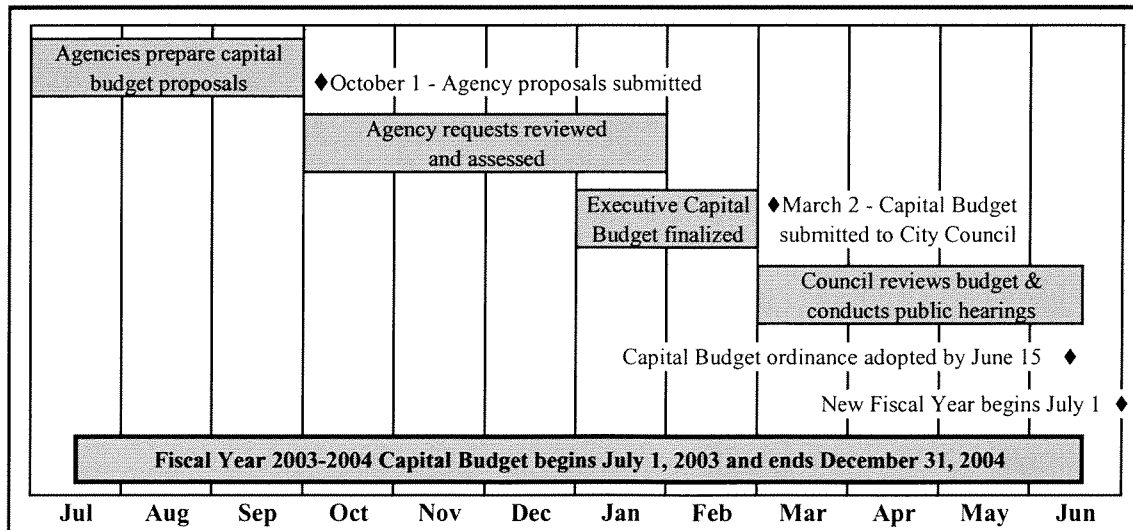
THE OPERATING BUDGET PREPARATION PROCESS

Guidelines for the preparation of the operating budget are forwarded to the executive agencies in September. Agencies respond in November with details of expenditure proposals and their justifications. Agency requests are reviewed, assessed and weighed against anticipated revenues and the requirements of non-agency expenditures such as debt service, employees' health fund costs and retirement benefit contributions. The Mayor makes the final program decisions and submits the operating budget proposal to the City Council by March 2 in accordance with City Charter Section 9-102.1.

THE CAPITAL BUDGET

Appropriations in the executive capital budget ordinance are valid only for the fiscal year for which they were made and for six months thereafter. Any part of the appropriations not spent or set aside to pay expenses lapses six months after the end of the fiscal year. Capital budget appropriations are available from the first day of June until the last day of December of the succeeding year.

CAPITAL BUDGET CALENDAR



THE BUDGET PROCESS (Continued)

THE CAPITAL BUDGET PREPARATION PROCESS

Budget preparation instructions are forwarded to executive agencies in July. Upon receipt, agencies prepare project proposals and submit them by October 1.

All proposed projects are reviewed and assessed by the Mayor and his staff, with the finalized proposed Capital Budget submitted to the City Council by March 2 in accordance with City Charter Section 9-102.1.

THE LEGISLATIVE BUDGET

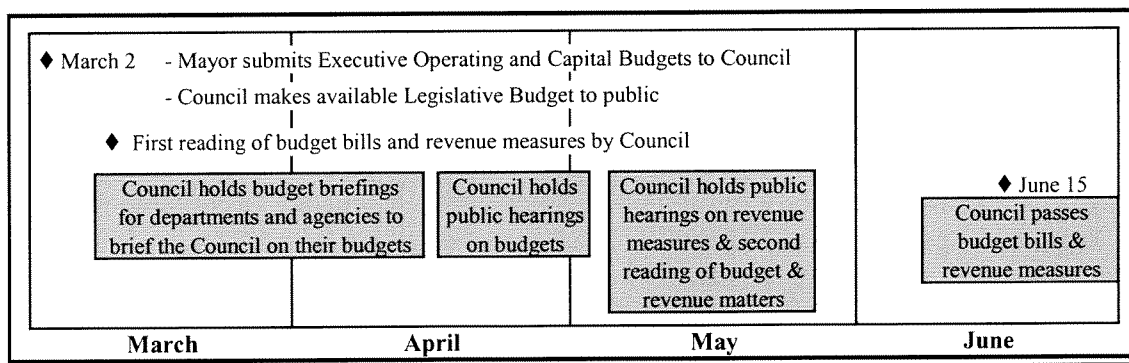
As with the executive operating budget, legislative budget appropriations are valid only for the fiscal year for which they are made. Any part of the appropriation that has not been spent or reserved to pay expenses lapses at the end of the fiscal year. The fiscal year begins on the first day of July and ends on the last day of June of the following year.

The legislative budget must be prepared and available for public review by March 2. The City Council conducts hearings and must pass the legislative budget ordinance by June 15.

CONSIDERATION AND ADOPTION BY THE CITY COUNCIL

Upon receipt of the executive program, annual budget and proposed ordinances from the Mayor, the Council immediately notifies the public of its intention to hold public hearing on the executive submissions and also on the legislative annual budget and ordinance. Upon the conclusion of the hearings, the Council may add new items to, delete or amend any item in the executive and legislative proposals. Like other bills, the Council adopts the executive and legislative programs and budget ordinances by majority vote after three readings on separate days. The Council must pass a resolution establishing the real property tax rates and all budget ordinances by June 15. If final action is not taken on or prior to that day, the executive budget ordinances as submitted by the Mayor go into effect.

COUNCIL DELIBERATION CALENDAR



The Mayor has 10 working days in which to (1) sign the ordinances, (2) veto the measures or (3) to return the measures unsigned, in which case the measures become law as if he had approved them.

For information about how bills become law or the Council's procedures and schedules, see www.co.honolulu.hi.us/council.

THE BUDGET PROCESS (Continued)

AMENDMENTS TO THE BUDGET AND OTHER APPROPRIATIONS

Amendments to the executive and legislative budgets may be initiated and considered by the Council under the same procedures prescribed for the adoption of the annual budgets themselves, provided that:

- (a) No amendment can increase the total authorized expenditures to an amount greater than the estimate of monies available for the fiscal year.
- (b) Amendments to the capital budget ordinance must conform to the operating and capital program, as amended.

Appropriations for items not included in the annual budget ordinances may be proposed by the Council or by the Mayor for the following purposes only:

- (a) To meet contingencies which could not be anticipated when the budget ordinances were passed.
- (b) To pay the expenses of holding special elections and elections on proposals to amend the charter.

No part of the budget ordinances can be amended, revised or repealed by the Council except by another ordinance.

BUDGET AND BUDGETARY ACCOUNTING

The budgets are on a basis consistent with GAAP (generally accepted accounting practices, see GLOSSARY OF TERMS) except that encumbrances are treated as budgeted expenditures in the year the commitments are made.

Formal budgetary integration is employed (i.e., annual operating budgets are legally adopted) for the general fund and special revenue funds (except the farmers home administration loan and revolving funds). Effective budgetary control for debt service, trust and agency, and revolving funds is achieved through bond indentures, contractual provisions and legislation. Formal budgetary integration is not employed for capital projects because effective budgetary control is achieved through contractual provisions and project oversight. Flexible budgeting (i.e., the relationship of costs to revenues) is employed for enterprise funds.

The Mayor is authorized to transfer appropriations between activities within a department. To transfer appropriations between departments, the legal level of budgeting, amendment must be made to the enacted budget ordinance. Amendments to the enacted budget ordinance may be proposed only by the Mayor. Amendments for items not included in the enacted budget ordinances may be proposed by the Mayor or the City Council.

GLOSSARY OF TERMS

Activity - The smallest unit of budgetary accountability and control which encompasses specific and distinguishable lines of work performed by an organizational unit to accomplish a function for which the City is responsible.

Agency - Any department, office, board, commission or other governmental unit of the City.

Appropriation - Authorization granted by the City Council to make expenditures and incur obligations for purposes specified in the appropriation ordinance.

Assessed Valuation - The value of real estate or other property used as a basis for levying real property taxes.

Bond - A written instrument to pay a sum of money on a specific date at a specified interest rate. The interest payments and the repayment of the principal are detailed in a bond resolution or ordinance. The most common types of bonds are general obligation and revenue bonds which are most frequently used for construction of large capital projects such as buildings, streets and sewers.

Bond Funds - Monies derived from the issuance of bonds used to finance authorized capital expenditures.

Budget (Proposed and Adopted) - The Mayor submits to the City Council a proposed budget reflecting the expenditure and revenue level for the coming fiscal year. When the Mayor and City Council have formally endorsed the expenditure and revenue level, the proposed budget becomes the adopted budget, appropriating funds and establishing legal expenditure limits.

Budget Issue (*Formerly referred to as Workload/Program Adjustment*) - Items that require special management attention, including, but not limited to, proposed new programs or projects, expansion of current services, items to be delineated as an issue such as new equipment, or drastically increased costs for continuation of programs or items as they currently exist.

Budget Message - The opening section of the budget through which the Mayor provides the City Council and the public with a general summary of the most important budget issues, changes from recent fiscal years, and recommendations regarding the financial policy for the coming fiscal year.

Capital Budget - A plan for capital expenditures to be incurred during the budget year (see "fiscal year") from funds appropriated for projects scheduled in the capital program for the first year thereof.

Capital Improvement Program (CIP) - A plan for capital expenditures to be incurred each year over a fixed period of years, specifying the full resources estimated to be available to finance the projected expenditures.

Carry-over - See Fund Balance, Unreserved.

Contingency - Funds reserved to cover unforeseen expenditures that occur during the fiscal year.

Cost Elements - The major subdivisions of a cost category. For the "operating" category, it includes salaries, current expenses and equipment.

Current Services - The amount of budgetary resources needed to provide the existing level of services based on the current workload.

Debt Service - The principal and interest payments on an obligation resulting from the issuance of bonds and notes.

Encumbrance - Commitments to incur obligations in the form of purchase orders, contracts, or other commitments which are chargeable to an appropriation and for which part of the appropriation is reserved. They cease to be encumbrances when expended.

GLOSSARY OF TERMS (Continued)

Enterprise Fund - A governmental accounting fund in which the services provided are financed and operated similarly to those of a private business. User fees are established and revised to ensure that revenues are adequate to meet all necessary expenditures.

Expenditures - Cost of goods delivered or services rendered, whether paid or unpaid, including expenses and capital outlays. Expenditures are distinguished from encumbrances in that expenditures relate to goods delivered or services rendered, whereas encumbrances represent commitments or obligations for goods to be delivered or services to be rendered in the future and for which no actual liability has yet been incurred.

Federal Aid - Funds received from the Federal Government.

Fiscal Year - The fiscal year of the City begins on the first day of July and ends on the last day of June of the succeeding year. (Appropriations in the capital budget ordinance are valid for the fiscal year for which they are made and continue for six months thereafter.)

Full-Time Equivalent Position - A number representing a part-time position converted to the decimal equivalent of a full-time position.

Fund - An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions or limitations.

Fund Balance, Unreserved - Actual or estimated unreserved fund balance carried over from the prior fiscal year and available for appropriation. The estimated fund balance together with the estimated revenues and interfund transfers for the upcoming year determine the maximum amount available for appropriation in the proposed year's budget.

General Obligation Bonds - Bonds for which the full faith and credit of the City are pledged for the payment of debt service.

Generally accepted accounting principles (GAAP) - GAAP are the uniform minimum standards of and guidelines to financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompass the conventions, rules and procedures necessary to define the accepted accounting practices at a particular time. They include both broad guidelines of general application and detailed practices and procedures. GAAP provide a standard by which to measure financial presentations.

Goal - A broad statement of a desired end result.

Grant - A funding source which includes State, Federal and private subsidies received in aid of a public undertaking.

Interfund Transfer - Legally authorized transfer from a fund receiving revenues to a fund through which the resources are to be expended.

Lapse - The automatic termination of the authority to expend money or incur obligations granted earlier by an appropriation. Except for continuing or indefinite appropriations, an appropriation is made for a certain period of time. At the end of that period, any unexpended or unencumbered balance thereof lapses unless otherwise provided by law.

Means of Financing - The source of funds from which appropriations are made.

GLOSSARY OF TERMS (Continued)

Modified Accrual Basis of Accounting - Under this system of accounting, recommended for use by governmental funds, revenues are recognized in the period in which they become available and measurable, and expenditures are recognized at the time a liability is incurred except for inventories, prepaid insurance, certain employee benefits, and principal and interest.

Objective - A statement of the end result, product, or condition desired, for the accomplishment of which a course of action is to be taken.

Operating Budget - A financial plan for the operation of government and the provision of services for the fiscal year. Excluded from the operating budget are funds appropriated in the capital budget.

Operating Costs - The recurring costs of operating, supporting and maintaining authorized programs, including costs for salaries, employee fringe benefits, current expenses (supplies and materials) and equipment (including motor vehicles).

Operating Funds - Resources derived from recurring revenue sources which are used to finance ongoing operating expenditures and pay-as-you-go capital projects and are reflected in the appropriation ordinances.

Program - A group of related activities performed by one or more organizational units for the purpose of accomplishing a specific function of the City.

Program Measures - The numerical means (such as the number of persons serviced by a program) of expressing the magnitude of a program or the degree to which the program's objective is attained.

Real Property - Means all land and the improvements upon it including buildings, other structures, fences and any fixtures attached to them which cannot be removed without substantial damage to such land and improvements.

Real Property, Net Taxable - Means the fair market value of property less exemptions provided by ordinances.

Real Property Tax Rate - A value, which when used to multiply the net taxable real property, yields real property tax revenues for the City. The tax rate for Honolulu is expressed as dollars per \$1,000 of property value and is set by the City Council by adoption of a resolution.

Resources - Amount available for appropriation including estimated revenues, interfund transfers and unreserved fund balances.

Revenue Bonds - Bonds where the debt service is payable solely from the revenues generated by the operations of the facilities being financed by the bonds or by other non-tax sources.

Revolving Fund - A fund used to finance certain goods and services provided by City agencies on a self-supporting basis. It is used to pay for the cost of goods and services and is replenished through charges made for those goods or services or through transfers from other accounts or funds.

Special Revenue Funds - Resources which are dedicated or set aside by law for a specified object or purpose, but excluding the general fund and revolving and trust funds.

Special Assessment - A charge made against certain properties to help pay for all or part of the cost of a specific capital improvement project. Also park land or a monetary assessment fee received from new developments.

Transient Accommodations Tax (TAT) - Also known as hotel room tax. The City receives 19.7% of the funds collected by the State. The current TAT rate in the State of Hawaii is 7.25%.

GLOSSARY OF TERMS (Continued)

Tax Revenues - The amounts collected from compulsory charges, in the form of taxes, levied by the City for the purpose of financing services performed for the public benefit. Sources of City tax revenues are the real property tax, fuel tax, vehicle weight tax and public utility franchise tax.

Trust Fund - A fund used to account for assets held by the City as a trustee or agent for individuals, private organizations, other governmental units, and/or other funds and which was created or established by a gift, grant, contribution, devise, or bequest that limits the use of the fund to designated objects or purposes.

User Fees - Fees for a public service paid by the user of the service.